

The Economic Value of the Texas Gulf Coast

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We know that the Texas Gulf Coast is vital to the state's economy. We know that energy has been a mainstay of the Texas economy. For that, the area along the Gulf Coast can take a bow. We know that the Gulf Coast is an area full of natural resources. I am talking about the economic interplay of the Gulf Coast's natural resources and am concentrating on three industry sectors that are important all along the Gulf Coast. These sectors are manufacturing, commerce and tourism.

There are a variety of manufacturing activities along the Gulf Coast, but the major coastal industries are oil-related such as petroleum, refining, petro-chemicals, and the prospect of a new oil boom.

With regard to commerce, there is no doubt that the Gulf Coast's ports are a major economic engine of the community. The handling and shipping of domestic and international cargo through the ports provide many jobs for Texans.

The economic importance of the Gulf Intracoastal Waterway cannot be overestimated as tons of materials are shipped annually through all three segments of the Gulf Coast. A poetic Texas in 1956 is quoted in Time Magazine as saying that the Gulf Intracoastal Waterway is "*A shining strand linking together the jewels of progress into a fabulous necklace along the curving bosom of the Gulf.*" Another important commerce sector dependent on the Gulf Coast are the commercial fisheries.

The third major sector is tourism. With 397 miles of beaches and a variety of attractions, both natural and man-made, the Texas coast is an abundant source of vacation activities. Furthermore, the bays and estuaries of the Gulf Coast region provide ample fishing, waterfowl hunting and birding. What we have then is a Gulf Coast economy based on a triangle of industry sectors that evolves around the natural resources of the coast.

A Growing Coastal Population

Since 1960, more than one-quarter of the state's population live within the first-tier of counties bordering on the Texas coast. By the year 2000, it is estimated that more than 5.2 million persons will live in this area. In fact, the population living directly on the state's shoreline will have more than doubled between 1960 and 2010 according to population projections by the Comptroller's Office, increasing from 2.4 million to 5.8 million. Without a doubt, people are moving to the Texas coast to work, play and make their homes.

An Abundance of Natural Resources

There are 7 major and 3 minor bay and estuary systems distributed along the Gulf Coast, containing 1.5 million acres of open water bays and at least 1.1 million acres of marshes and mudflats. Oil and gas deposits in the Gulf will continue to provide a major portion of America's energy needs. Even now a new drilling boom is underway in the Gulf driven by technological advances that have lowered the cost of finding oil and gas offshore. 1995 proved to be the strongest year in more than a decade for the offshore drilling industry. In the spring of 1995, only 63 percent of the offshore drilling rigs available in the Gulf region were actually at work. By year's end the rig utilization rate increased to 85 percent. In February 1996, more than 150 rigs were operating in the Gulf, the most since 1990.

Increased exploration, drilling and production in the Gulf generate economic benefits for Texas, especially for the Houston area. Because support firms perform a wide variety of services for offshore oil and gas producers, it is hard to trace the economic impact of this activity on a local or regional economy. Certainly the new boom has created a lot of work for geophysical and drilling firms, exploration crews, helicopter leasing firms and other support industries located along the Texas and Louisiana coasts. A good example of that is the Mars drilling platform that was constructed in Corpus Christi. Construction of the 36,000 ton platform provided about 1,500 jobs in Corpus Christi since August 1995.

Commerce

Total impact on the state's economy from commercial fishing, sport fishing, hunting, and other recreational activities. In 1991, sport fishing--salt and freshwater--brought in about \$2.8 billion to the Texas economy. Of that total approximately \$320 million were on saltwater fishing, and \$770 million in expenses related to food lodging, transportation, and boat rentals. Half of the seafood consumed in the US comes from the Gulf. The state's annual catch of shrimp, other shellfish and finfish pumps \$400 million into the economy each year and provides jobs for 30,000 coastal residents.

Texas is the largest maritime state. All types of cargo is handled by the state's-deepwater and-shallow-draft ports, all of which are connected by the Gulf Intracoastal Waterway Canal. The ports not only compete with ports of other nations and state, but also with each other. The ports are a major economic engine where located. Following are some unique aspects about Texas ports:

- The Port of Beaumont is a major military port, and has shipped a record level of cargo for the 3rd year;
- The Port of Brownsville calls itself the Home Port of Nafta and ships steel from Mexican foundries;
- The Port of Corpus Christi started as a cotton port and has diversified into a petroleum port with the 6th largest in tonnage in the nation;

- The Port of Galveston created 700 new jobs due to servicing of submersible rigs;
- The GIWW handles 90 percent of all the gasoline shipped to the Lower Rio Grande Valley, and 75 percent of all fertilizer and 100 percent of the sugar cane shipped to L.A.;
- The Port of Houston ranks 2nd in US total tonnage, and 8th in the world. Located in the largest petro-chemical complex in the US, and the 2nd largest complex in the world. (The largest petro-chemical complex is Rotterdam).

The port business is a business of continually shifting opportunities.

Tourism

With 397 miles of beaches and a variety of attractions both natural and man-made, the Texas coast is an abundant source of vacation activities. Among the very popular recreational activities available on the Gulf Coast are birding and waterfowl hunting--two activities that I knew very little about until I started preparing for this speech. According to the Texas Parks and Wildlife Department, Texas is the top-ranked birding site in the world. Why? Texas has documented more bird species than any state in the U.S. More than 600 species. Parks and Wildlife officials are in the final phases of completing the \$1.5 million Great Texas Coastal Birding Trail, featuring more than 200 sites on a 500-mile route stretching from Beaumont to Brownsville.

Economically, the birding trail rivals the great Texas cattle trails of the early West. For two weeks in April and May, thousands of bird watchers will converge at different sites along the birding trail. Birdwatchers traveling to the Texas coast will spend millions of dollars. The economic impact of birding in Texas is substantial.

- In 1991, 4 million Texas spent \$877 million observing, feeding or photographing wildlife in Texas;
- Birders to the Sabal Palm Grove Sanctuary near Brownsville spend \$6.9 million annually;
- 48,000 birders annually spend \$20 million visiting the Laguna Atascosa National Wildlife Refuge near Raymondville;
- 2,000 birders attended the 1995 Rio Grande Valley Birding Festival in Harlingen. Economic impact estimated at \$1.5 million.

Texas ranks high in waterfowl hunting also. It is #3 in total hunters, #3 in duck harvest and is the #1 goose harvest state - the Eagle Rock Lake area is prime goose country. These rankings are derived from federal duck stamp surveys. There is a study underway to determine the economic impact of waterfowl hunting to the state.

Hunting, birding and other recreational activities drive the Texas tourist industry. The Texas tourist industry accounted for \$22.5 billion in expenditures in 1995, met a \$7.6 billion payroll and generated 397,000 jobs for Texans. In 1995, Dallas County ranked first with 99,000 jobs attributed to domestic traveler spending, followed by Harris County with 79,500 jobs. Other Gulf Coast counties

ranked in the top 15 counties were Nueces (8,000), Cameron (6,800), Galveston (5,800) and Jefferson (2,700). Travel in Texas generates a demand for a variety of goods and services producing receipts for a number of industries. Spending on food service was the largest expenditure for travelers, totaling \$6 billion, 26.9 percent of the state total; followed by public transportation (\$4.7 billion), lodging (\$4 billion) and auto transportation (\$3.4 billion). In 1995, travel-related spending along the first-tier of counties along the Texas Gulf Coast topped \$6 billion, most of that generated in Harris, Nueces, Cameron, and Galveston counties. Travel and tourism provided 109,000 jobs in 1995 and a \$2.2 billion payroll across the 19 county area.

Of the 34 million non-Texans who visit the state each year, one in four has a destination along the Gulf Coast, according to the Texas Department of Commerce. State revenue generated by travel expenditures through state sales and excise taxes totaled \$871 million state-wide during 1995. Dallas County accounted for almost 21 percent of the total with \$157 million, followed by Harris County with \$150 million. Travel expenditures along the Gulf Coast generated \$229 million, or 26.3 percent of the total state tax receipts in 1995. Local tax revenue generated for the counties within Texas depends on the local tax structure and the characteristics of travel spending within the county. In 1995, tourism generated \$656 million for all Texas counties. Again Dallas County ranked first receiving \$181 million, followed by Harris County with \$150 million. Local tax receipts for Gulf Coast counties totaled \$182 million, or 28 percent of the total.

Manufacturing

Two-thirds of all US petrochemical production and almost one-third of the nation's petroleum industry straddle the dredged channels of the Texas Gulf Coast.

Nearly 80,000 Texans were employed in the Gulf Coast's petrochemical and refining industries in 1994. The Texas Gulf Coast complex includes an enormous system of pipelines, rail cars, barges and tank trucks, in addition to 250 chemical plants, 30 refineries, and 74 gas-processing plants. According to a 1992 study by Texas A & M chemical manufacturing wages in 11 counties along the Gulf Coast topped \$700 million. The 1992 shipments from Texas refineries were valued at \$38.3 billion, representing 28 percent of the US total. Everything that I have mentioned before now has given only a partial clue about the economic value of the Texas Coast.

What is the Economic Outlook for the Gulf Coast Council of Governments Region through the turn of the century?

The Gulf Coast Region includes the following counties: Austin, Brazoria, Chambers, Colorado, Fort Bend, Galveston, Harris, Liberty, Matagorda, Montgomery, Walker, Waller, and Wharton counties. The economy of the Gulf Coast Region of Texas should continue a moderate, but slowing, expansion through the end of the century. After growing somewhat slower than the state, employment growth

should continue to moderate in line with statewide trends, averaging 1.6 percent annual employment growth from 1995 to 2000. In total, 200,000 additional jobs should be generated by the region's economy from 1994 to 2000.

The service sector will continue to generate the bulk of the new jobs in the Gulf Coast region through the end of the decade. Although the service sector will account for only 30 percent of all jobs in the region by the year 2000, the addition of 118,000 jobs to the region's service sector from 1994 to 2000 accounts for about 57 percent of the expected job growth for the region as a whole during this period. The rate at which the service sector is expanding will slow through the end of the decade, averaging 3.1 percent from 1995 to 2000.

Manufacturing, employment will remain essentially unchanged through the end of the decade. Some portions of this sector such as food processing, lumber and wood products and other construction-related materials suppliers should add employment during this period. Employment in mining (nearly exclusively oil and gas drilling) is likely to decline steadily through the end of the decade in line with state and national trends. On the other hand, employment in the transportation, communications and public utilities sectors should grow modestly, adding about 17,500 jobs by 2000.

In the short term more of this growth will be concentrated in the communication sector. Later in the decade some stronger growth in transportation should be expected due to increased trade with Mexico. Also contributing to employment growth in the region throughout the decade will be government, although some portions of government will grow while other parts decline. Based on continued tightness in the federal budget and a likely shift of federal activities to the states, federal civilian employment in the region should actually decline modestly through the end of the century. On the other hand, opening and expansion of correctional facilities in the region should generate job opportunities in state government.

Growth in local government should be driven largely by increased workloads as the region's population increases. Total population in the region is expected to rise from 4,265,800 in 1994 to 4,700,800 by 2000. As the baby boom generation continues to move out of prime child-bearing ages, however, the rate of growth in this region's population will slow through the end of the decade mirroring declining birth rates expected across the state in the last half of the 1990's. In line with more slowly growing employment opportunities through the end of the decade, the rate of growth of total personal income in the region should slow as well, averaging only a 6.1 percent rate of growth from 1995 to 2000.

While the rate of growth of both population and total personal income will be slower during the last half of the decade than more recent experience, the slowdown in the rate of population growth is proportionately greater than the slowdown in the rate of growth of income. As a result, the rate of growth in per capita income will actually be higher during the last half of the decade than it was from 1993 to 1995. This rising per capita income coupled with moderate total personal income growth in the region will drive increases in retail sales. After increasing at a strong 8.8 percent annual

growth rate from 1993 to 1994, the growth in retail sales should settle back into a somewhat slower, but still respectable rate of increase, averaging 6.7 percent annual growth from 1995 to 2000.

Summary

All together, people and their economic activities can strain coastal natural resources, and that can have economic consequences. Man-made improvements have had an impact on the delicate coastal eco-system, affecting not only the seafood harvests, but the balance of nature in bays, estuaries, and lagoons. But on the flip side, activities such as dredging can help mitigate these problems. New navigation channels and disposal sites can help improve water circulation, enhancing fisheries. Dredged material can be used to restore wildlife habitat and replenish eroding shorelines. Almost 5 million people live in the Texas coastal area and 5.7 million are expected by 2010. Texans who will live near the coast in the year 2010 will be dependent on the natural resources of the Texas Gulf Coast's lands, waters, wildlife, beaches, bays, and estuaries to create and maintain a sustainable economy. As these communities continue to develop, so will the need to maintain their local natural resources.